

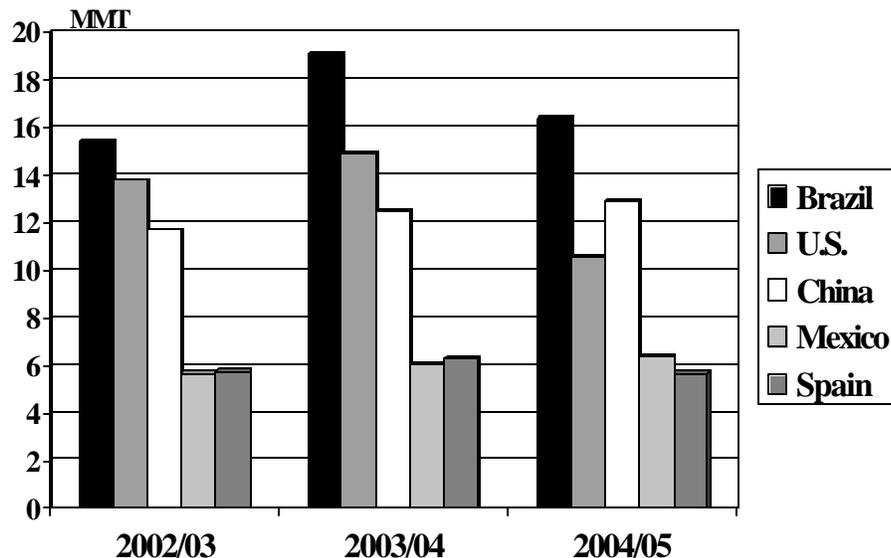
Situation and Outlook for Citrus

World citrus production in selected major producing countries in 2004/05 is estimated at 70 million metric tons, a decrease of nearly 9 percent from the 2003/04 level. Almost all the decrease is attributed to Brazil, Spain, and the United States. Brazil's total citrus production in 2004/05 is forecast at 16.4 million tons, down nearly 14 percent from the previous year. Due to the devastation from the hurricanes that passed through major citrus regions in Florida in 2004, U.S. production of citrus in 2004/05 is estimated at 10.6 million tons, down 29 percent from the previous year. Spain's production of citrus in 2004/05 has been affected by a freeze that has lowered production. Total world exports of citrus for major exporters during 2004/05 are estimated at 9.2 million tons, down nearly 4 percent from the 2003/04 level.

GLOBAL PRODUCTION

World citrus production in selected major producing countries in 2004/05 is estimated at 70 million tons, a decrease of nearly 9 percent from the 2003/04 level. Almost all the decrease is attributed to Brazil, Spain, and the United States. China's production of citrus in 2004/05 is forecast to rise to 12.9 million tons, up nearly 3 percent from the previous year.

Total Citrus Production in the Top Producing Countries



Brazil

Brazil's orange crop for 2004/05 [Marketing year (MY) July 2005-June 2006] is forecast at 16.4 million tons, down about 14 percent from the previous year, assuming that good weather conditions prevail through June 2005 to support fruit setting and size. The projected decrease in production for 2004/05 in the Sao Paulo and Minas Gerais commercial areas is based on the following factors:

1) orange trees are stressed from a relatively large 2003/04 (MY July 2004-June 2005) crop; 2) the off-year of the biennial cycle of the Hamlin and Valencia varieties; 3) below average crop management for some groves during 2004 due to the increase of input costs and lower orange prices received by producers; and 4) the irregular weather pattern during 2004 and its impact on blossoming. The rainy season, which historically ends in April-May, lasted through July and the dry season usually necessary to stress the citrus trees before the flowering was affected by the prolonged precipitation. Historically, the first blossoming occurs in September, but in 2004, the first big flowering took place in July/ August. The rainfall that persisted into July broke the dormancy of the trees and hastened the first and intense blossoming. The dry weather in August and September that followed the blossoming negatively affected flower and fruit setting, thus reducing the producing potential of the trees. The second blossoming that occurred in October/November after the beginning of the rains in October was less intense, although with a better fruit setting compared to the first one.

Brazil's orange area for 2004/05 (MY July 2005-June 2006) is forecast at 849,000 hectares. The commercial areas of Sao Paulo and Minas Gerais should account for 649,000 hectares. The total Brazilian tree inventory for 2004/05 is relatively stable and projected at 253 million trees (215 million bearing and 38 million non-bearing trees), up 5 million trees compared to 2003/04.

United States

Due to the devastation of the hurricanes that passed through most of Florida's major citrus-producing regions, U.S. citrus production during 2004/05 is estimated at 10.6 million tons, down 29 percent from the 2003/04 level. Hurricanes Charley, Frances, and Jeanne passed through Florida's prime citrus-growing regions, blowing fruit off the trees, destroying trees, and contributing to a higher-than-average drop rate.

U.S. orange production during 2004/05 is estimated at 8.5 million tons, down nearly 28 percent from the previous year. Almost all the decrease is attributed to the sharp decline in Florida's orange crop, which was revised again in March 2005 to 6.3 million tons, down 37 percent from the 2003/04 level. Partially offsetting the decline in Florida's orange production, California's orange crop is estimated at 2.2 million tons, up 23 percent from last year. However, some adverse weather conditions have resulted in some damage to the oranges.

Hurricanes Frances and Jeanne struck right in the heart of the Indian River citrus-growing region. As a result, Florida's production of grapefruit in 2004/05 is estimated at approximately 502,000

tons, down 68 percent from a year ago, and the lowest level since 1935/36. Last year, Florida's production of grapefruit accounted for nearly 81 percent of the U.S. total. This year, that number will drop to 56 percent. Texas's production of grapefruit in 2004/05 is up nearly 9 percent over last year. Producers in Texas are receiving higher grower prices for their grapefruit due to the smaller crop in Florida.

China

China's production of citrus during 2004/05 is forecast at 12.9 million tons, up nearly 3 percent from 2003/04. Orange production occupies an increasing share of total citrus production in China, but the supply of high quality fruit will not be sufficient to meet growing demand anytime soon. Fruit quality is improving steadily, yet post-harvest handling such as grading, washing, waxing, and packing remains behind the times. There are no nationally recognized brand names, and there is very little domestic marketing. Domestic citrus is mostly early- to middle-arrival varieties harvested September through December. As cold storage facilities remain insufficient, domestic fresh citrus is rarely found on the market from April to August.

Although domestic juice consumption is increasing dramatically, Chinese juicing companies source only a tiny share of domestic fruit. Large supplies of juicing oranges are simply unavailable, and the short supply season makes operation costs even higher.

Spain

Spain's production of citrus in 2004/05 is forecast at 5.7 million tons, down 9 percent from last year. Record-setting cold temperatures have damaged this year's mid-to-late season harvest. The orange crop is estimated at 2.7 million tons, down 13 percent from 3.1 million tons last year. Spain's production of tangerines (including clementines) is forecast at 2.1 million tons, about unchanged from the previous year. However, before the damage to the crop due to weather, tangerine production was expected to be much larger. A higher percentage of the orange crop will likely be sent to processing, as producers attempt to minimize the losses from weather-related damage. Spain's orange and clementine producers will likely have a smaller exportable surplus this year.

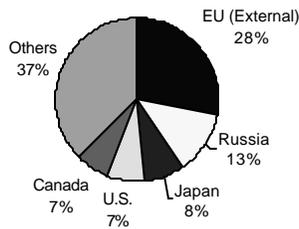
However, it is expected in the long run that under the Common Agricultural Policy (CAP) reform, reduced cotton production subsidies may result in further orange tree plantings in Spain. In anticipation, it appears that Spanish operators have recently built up an additional 500,000-ton fruit processing capacity. The increased juicing capacity is for 11-brix juice, which is popular domestically and throughout European communities.

Cuba

Cuba's production of citrus for 2004/05 is forecast at 279,000 tons, a decrease of nearly 36 percent from last year. However, it is very difficult to estimate Cuba's production, given the lack of information coming out of Cuba. It has been reported, though, that Cuba's citrus production was affected by the hurricane season during 2004, causing damage to the citrus crop.

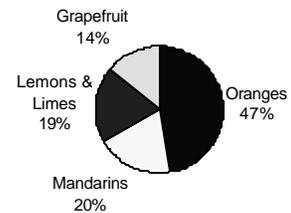
GLOBAL TRADE

World Citrus Imports by Country
Based on Quantity—CY 2003



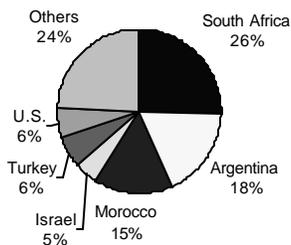
Source: Global Trade Atlas. EU External Trade.

World Citrus Imports by Type
Based on Quantity—CY 2003



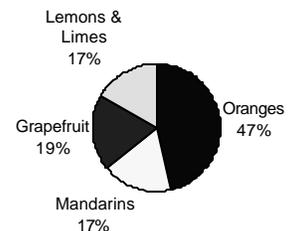
Source: Global Trade Atlas.

EU Citrus Imports By Country of Origin
Based on Quantity—CY 2003



Source: Global Trade Atlas. EU External Trade.

EU Citrus Imports By Type
Based on Quantity—CY 2003



Source: Global Trade Atlas. EU External Trade.

Spain

Spain's exports of total citrus during 2004/05 are estimated at 3.3 million tons, a decrease of 470,000 tons from last year, mainly due to the reduced availabilities because of the cold weather. Oranges are estimated at 1.3 million tons, tangerines at 1.55 million tons, and lemons at 450,000 tons.

United States

U.S. exports of citrus during 2004/05 are estimated at 960,000 tons, a forecast drop of 15 percent from the 2003/04 level. The total comprises 650,000 tons of oranges, 190,000 tons of grapefruit, 100,000 tons of lemons, and 18,000 tons of tangerines. Most of the drop is attributed to grapefruit exports. Although the orange crop in California is forecast to be up this year, some adverse weather conditions have resulted in some damage to the oranges.

With the devastation to the grapefruit crop, U.S. exports of grapefruit during 2004/05 are forecast to decline nearly 52 percent to 190,000 tons, down from 395,000 tons in 2003/04. Japan, Canada, and the EU are expected to remain the top markets. Of the total U.S. exports of grapefruit in 2003/04, Japan accounted for nearly 53 percent.

Technical Assistance for Specialty Crops (TASC) Funds

The TASC program is designed to help open, retain, and expand markets for U.S. specialty crops. Resources are provided to address unique barriers, including phytosanitary or related technical barriers, that prohibit or threaten the export of U.S. specialty crops. Specialty crops include all cultivated plants and their products produced in the United States except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. The TASC funds became available during 2002 when Congress created a new trade program specifically aimed to aid specialty crops in the 2002 Food Security Act. The TASC program is funded at \$2 million annually, beginning with fiscal year 2002.

Market Access Program

The citrus industry received over \$6.5 million to conduct promotions overseas under the Market Access Program (MAP) for MY 2004/05. MAP has been instrumental in expanding markets for U.S. citrus in Canada, France, the United Kingdom, China, Hong Kong, Japan, South Korea, Taiwan, and other countries. Consumer and trade promotions are developed for fresh oranges, fresh grapefruit, lemons, orange juice, and grapefruit juice. The industry shares the cost of

promotions under the program. After last year's hurricanes in Florida, promotional efforts had to be prioritized based on product availability. The U.S. citrus industry expects to return to normal levels of promotions this coming season.

Korea, South

During MY 2003/04, Korea's imports of oranges rose 8 percent over the 2002/03 level. Almost all imports—97 percent—are from the United States. Beginning January 2004, the orange out-of-quota tariff rate dropped to 50 percent, equal to the in-quota rate for the first time, effectively eliminating the quota. Reports from Korean quarantine authorities that they had found *Septoria citri* on some U.S. shipments resulted in a temporary import suspension on oranges from some parts of California in 2004. However, the United States maintained a dominant position in the market since the import suspension was imposed in late April, which was the end of the season for California navel oranges. Even though the import suspension was lifted, Korea's imports of oranges are forecast to only reach about 50,000 tons in 2004/05.

Japan

Japan's imports of citrus during MY 2004/05 are estimated at 445,000 tons, down about 13 percent from the previous year. Of the total, 220,000 tons are forecast to be grapefruit, along with 127,000 tons oranges, 87,000 tons lemons, and 11,000 tons tangerines. The United States is the major supplier, accounting for 72 percent of the total in October-September 2003/04. However, the U.S. share of Japan's imports is declining, while South Africa's and Chile's are increasing. South Africa's share has increased to 17 percent in 2003/04, up from 13.6 percent in 2001/02. Although Japan's consumers like the taste and quality of U.S. citrus, Japan's authorities continue to take steps to protect the domestic citrus industry, which produces unshu oranges. The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) and grower cooperatives set production and marketing guidelines for Unshu Mikan in an attempt to maintain order in the market. In addition, to limit the imports of oranges during the distribution season for its domestic production of unshu oranges, Japan imposes seasonal import duties for oranges. Imports during December-May (the key marketing season for U.S. oranges) face a duty rate of 32 percent compared to 16 percent during the rest of the year. Japan continues to be an important market for U.S. grapefruit; however, during 2004/05, Japan's imports from the United States will be reduced due to losses caused by the hurricanes that devastated citrus production in Florida.

CONSUMPTION AND MARKETING

Total citrus consumption in MY 2004/05 for the major producing countries is estimated at 62.4 million tons, including 37.4 million tons of fresh consumption and 25.0 million tons of processed

consumption. Processed consumption is basically for the processing of oranges into orange juice. Of the total citrus for processing, nearly 83 percent is oranges. The total processed represents a decrease from the previous year of nearly 20 percent, mainly the result of the smaller Brazilian and Florida orange crops.

United States

A large part of the citrus produced in the United States goes to processing for juice. This year, about 68 percent of the total citrus crop is forecast to be processed. For oranges produced in Florida, normally 95-96 percent of the crop is processed for orange juice. Even if that processing rate continues for this year, just the huge drop in the crop size will result in fewer oranges going to processing. See also the Orange Juice special feature article. For grapefruit produced in Florida, the amount going to processing varies, but has ranged from 59 to 63 percent during the last few years. It is expected that with the strong demand for quality fruit and the lower Florida production, the percentage of the crop going to processing will be lower.

Brazil

Brazil's volume of oranges processed in 2004/05 (MY July 2005-June 2006) is forecast at 11.3 million tons, which is about 69 percent of the production level. Since only a small amount of fresh oranges is exported, most of Brazil's production is headed to the processing sector and for export of orange juice. The amount used for fresh consumption (mostly domestic) represents 31 percent of the total.

China

China's consumption of fresh oranges closely follows its production level. About 93 percent of the total citrus produced is consumed fresh within China, and about 4 percent is processed for juice or canned production. Canned citrus is primarily produced in Zhejiang province. Canned "mandarin oranges" dominate processed citrus products and canneries depend heavily on exports. The domestic market is limited, as consumers prefer fresh fruit that is widely available. Right now imports of citrus (mostly oranges) represent less than 1 percent of fresh consumption. Tariffs for fresh and processed citrus reached their final bound rate in 2004 following China's 2001 Accession to the WTO. With no further tariff reductions scheduled, the effective rate [tariff + value-added tax (VAT)] remains high, between 25 percent and 50 percent for most items. U.S. exports of oranges to China account for a large share of the country's imports, and China represents an important developing market for U.S. exporters. However, reports indicate that the future growth in imports of fresh citrus is likely to come from Southern Hemisphere citrus.

The Attaché Report search engine contains reports for citrus for several countries including Egypt, Israel, Japan, Korea, Morocco, Spain, Turkey, Greece, Italy, Mexico, China, Germany, Australia, Brazil, Argentina, and South Africa. For more information on production and trade, contact Debra A. Pumphrey at 202-720-8899 or at Debra.Pumphrey@usda.gov Also, please visit the citrus commodity page: <http://www.fas.usda.gov/htp/horticulture/citrus.html> for the latest information. For more information on marketing issues, contact Sonia Jimenez at 202-720-0898. Data for these countries for citrus can be extracted from the USDA production, supply, and distribution database located at www.fas.usda.gov/psd